

Milford KiwiSaver Plan

Financial Statements

For the year/period ended 31 March 2020

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Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Milford KiwiSaver Plan as at 31 March 2020 and the results for the year/period ended on that date in accordance with the requirements of the Milford KiwiSaver Plan Trust Deed dated 25 July 2019.

The Directors are of the opinion that the Milford KiwiSaver Plan will be able to pay its debts as and when they fall due.

Director
Milford Funds Limited

1 July 2020

Date

Statements of Changes in Net Assets

\$ thousands		Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund*		Plan Total**	
	Note	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the year/period ended 31 March											
Income											
Interest income on financial assets at amortised cost		33	36	100	146	228	250	25		386	432
Dividend and distribution income		2,246	1,627	512	920	-	-	76		2,834	2,547
Net foreign exchange gains on financial instruments at amortised cost		-	-	1,132	121	-	-	83		1,215	121
Net (losses)/gains on financial instruments at fair value through profit or loss		(4,131)	2,183	(8,856)	14,283	(37,134)	77,159	(9,424)		(56,971)	91,726
Other income		-	-	-	10	-	-	-		-	10
Total (loss)/income		(1,852)	3,846	(7,112)	15,480	(36,906)	77,409	(9,240)		(52,536)	94,836
Expenses											
Net manager's fee	9	27	19	1,386	1,082	15,428	10,943	18		16,859	12,044
Investment manager fee rebates		-	-	-	(3)	-	-	-		-	(3)
Transaction costs		-	-	19	26	-	-	8		27	26
Total expenses		27	19	1,405	1,105	15,428	10,943	26		16,886	12,067
Net (loss)/profit before membership activities		(1,879)	3,827	(8,517)	14,375	(52,334)	66,466	(9,266)		(69,422)	82,769
Contributions											
Member contributions		6,001	3,252	16,523	11,872	73,386	56,760	2,680		98,592	70,401
Employer contributions		2,874	1,740	8,111	6,233	37,278	29,583	1,303		49,566	37,556
Crown contributions		644	376	2,001	1,505	9,729	7,305	2		12,376	9,186
Transfers from other Funds in the Plan		155,797	38,996	43,027	15,377	42,844	25,817	50,635		-	-
Transfers from other KiwiSaver and superannuation schemes		24,420	14,311	79,363	49,006	212,264	154,337	40,608		356,655	217,654
Lump sum and other voluntary contributions		13,546	3,899	31,011	10,013	82,878	59,105	6,850		112,739	57,980
Other income		10	5	27	19	209	90	5		251	114
		203,292	62,579	180,063	94,025	458,588	332,997	102,083		630,179	392,891

* Period is from the establishment date, 10 June 2019 to 31 March 2020. Refer to Note 1 for further details.

** Where the Milford KiwiSaver Balanced Fund has invested into the Milford KiwiSaver Active Growth Fund, Milford KiwiSaver Aggressive Fund, Milford KiwiSaver Cash Fund and the Milford KiwiSaver Moderate Fund, these amounts have been eliminated from the Plan Total. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were both established on 18 March 2020, and as at 31 March 2020 their net asset values were \$3.6million and \$4.6million respectively. Whilst these 2 funds are not presented separately in these financial statements, their results have been included in the Plan's aggregated results. Refer to Note 1 for further detail.

The Notes form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Changes in Net Assets

\$ thousands	Note	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund*	Plan Total**	
		2020	2019	2020	2019	2020	2019	2020	2020	2019
For the year/period ended 31 March										
Withdrawals										
Transfers to other Funds in the Plan		49,511	16,801	61,943	24,466	168,417	38,923	15,861	-	-
Transfers to other KiwiSaver and superannuation schemes		3,605	1,342	2,695	2,239	19,586	9,020	339	26,225	12,601
Member attributed taxation		63	549	1,334	703	4,923	2,233	(536)	5,784	3,485
Member administration fees	9	63	45	162	145	731	723	18	974	913
Withdrawals on death		95	238	493	187	1,343	515	-	1,931	940
Withdrawals or transfers on permanent emigration		3	33	37	137	485	301	33	558	471
Invalid enrolment withdrawals		10	7	2	1	10	5	1	23	13
Member eligible withdrawals		17,351	5,287	15,886	8,533	30,042	18,154	271	63,550	31,974
Serious illness withdrawals		45	144	51	64	452	239	-	548	447
First home purchase withdrawals		4,170	1,787	1,992	1,146	12,398	7,031	104	18,664	9,964
Significant financial hardship withdrawals		58	70	117	63	414	376	1	590	509
Paid under other enactments		-	262	6	64	340	83	-	346	409
		74,974	26,565	84,718	37,748	239,141	77,603	16,092	119,193	61,726
Net membership activities		128,318	36,014	95,345	56,277	219,447	255,394	85,991	510,986	331,165
Members' accounts at the start of the year/period		90,516	50,675	268,781	198,129	1,198,322	876,462	-	1,518,958	1,105,024
Movements in members' accounts for the year/period		126,439	39,841	86,828	70,652	167,113	321,860	76,725	441,564	413,934
Members' accounts at the end of the year/period		216,955	90,516	355,609	268,781	1,365,435	1,198,322	76,725	1,960,522	1,518,958

* Period is from the establishment date, 10 June 2019 to 31 March 2020. Refer to Note 1 for further details.

** Where the Milford KiwiSaver Balanced Fund has invested into the Milford KiwiSaver Active Growth Fund, Milford KiwiSaver Aggressive Fund, Milford KiwiSaver Cash Fund and the Milford KiwiSaver Moderate Fund, these amounts have been eliminated from the Plan Total. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were both established on 18 March 2020, and as at 31 March 2020 their net asset values were \$3.6million and \$4.6million respectively. Whilst these 2 funds are not presented separately in these financial statements, their results have been included in the Plan's aggregated results. Refer to Note 1 for further detail.

The Notes form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Net Assets

\$ thousands		Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund*		Plan Total**	
As at 31 March	Note	2020	2019	2020	2019	2020	2019	2020		2020	2019
Members' Funds		216,955	90,516	355,609	268,781	1,365,435	1,198,322	76,725		1,960,522	1,518,958
<i>Represented by:</i>											
Current assets											
Cash and cash equivalents		2,204	1,210	18,846	10,955	30,060	8,107	7,942		59,293	20,272
Trade and other receivables	10	2,780	745	2,510	1,482	3,315	1,717	898		5,253	3,944
Financial assets at fair value through profit or loss	6.1	214,453	89,159	339,097	257,441	1,341,811	1,192,195	70,659		1,911,470	1,500,134
Member attributed taxation		473	1	53	6	75	106	508		1,109	113
Total current assets		219,910	91,115	360,506	269,884	1,375,261	1,202,125	80,007		1,977,125	1,524,463
Current liabilities											
Trade and other payables	11	2,526	49	1,742	179	3,944	486	312		1,154	714
Trade and other payables to related parties	12	5	1	141	89	1,339	978	5		4,503	1,068
Financial liabilities at fair value through profit or loss	6.2	-	-	1,807	126	-	-	2,958		4,765	126
Member attributed taxation		424	549	1,207	709	4,543	2,339	7		6,181	3,597
Total current liabilities		2,955	599	4,897	1,103	9,826	3,803	3,282		16,603	5,505
Net assets available for benefits		216,955	90,516	355,609	268,781	1,365,435	1,198,322	76,725		1,960,522	1,518,958

These Financial Statements were authorised for issue by the Manager, Milford Funds Limited.

Director 

Date: 1 July 2020

Director 

Date: 1 July 2020

* Period is from the establishment date, 10 June 2019 to 31 March 2020, Refer to Note 1 for further details.

** Where the Milford KiwiSaver Balanced Fund has invested into the Milford KiwiSaver Active Growth Fund, Milford KiwiSaver Aggressive Fund, Milford KiwiSaver Cash Fund and the Milford KiwiSaver Moderate Fund, these amounts have been eliminated from the Plan Total. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were both established on 18 March 2020, and as at 31 March 2020 their net asset values were \$3.6million and \$4.6million respectively. Whilst these 2 funds are not presented separately in these financial statements, their results have been included in the Plan's aggregated results. Refer to Note 1 for further detail.

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Statements of Cash Flows

\$ thousands		Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund*		Plan Total**	
	Note	2020	2019	2020	2019	2020	2019	2020		2020	2019
For the year/period ended 31 March											
Cash flows from operating activities											
Cash was provided from:											
Proceeds from sale of investments		5,450	500	43,693	32,029	70,250	-	2,782		122,175	32,529
Proceeds from forward foreign exchange contracts and foreign exchange options		-	-	382,765	289,985	-	-	57,926		440,691	289,985
Transfers from margin accounts		-	-	2,916	465	-	-	-		2,916	465
Interest income		32	37	97	139	231	244	21		381	420
Other income		-	-	-	10	-	-	-		-	10
Dividend and distribution income		-	-	-	188	-	-	24		24	188
Cash was applied to:											
Purchase of investments		(132,627)	(36,736)	(132,570)	(76,938)	(257,000)	(237,400)	(79,414)		(580,135)	(334,554)
Purchase and settlement of foreign exchange contracts and foreign exchange options		-	-	(384,969)	(290,540)	-	-	(57,942)		(442,911)	(290,540)
Transfers to margin accounts		-	-	(770)	(1,351)	-	-	(547)		(1,317)	(1,351)
Payment to suppliers		(23)	(20)	(1,337)	(1,085)	(15,067)	(14,798)	(21)		(16,448)	(15,903)
Net cash outflow from operating activities	13	(127,168)	(36,219)	(90,175)	(47,098)	(201,586)	(251,954)	(77,171)		(474,624)	(318,751)
Cash flows from financing activities											
Cash was provided from:											
Contributions		201,257	61,943	179,708	94,339	456,987	332,515	101,491		630,299	392,087
Cash was applied to:											
Withdrawals		(73,095)	(26,402)	(82,704)	(38,316)	(233,448)	(80,014)	(16,451)		(117,789)	(64,542)
Net cash inflow from financing activities		128,162	35,541	97,004	56,023	223,539	252,501	85,040		512,510	327,545
Net increase/(decrease) in cash and cash equivalents		994	(678)	6,829	8,925	21,953	547	7,869		37,886	8,794
Cash at the beginning of the year/period		1,210	1,888	10,955	1,909	8,107	7,560	-		20,272	11,357
Effect of exchange rate fluctuations		-	-	1,062	121	-	-	73		1,135	121
Cash and cash equivalents at the end of the year/period		2,204	1,210	18,846	10,955	30,060	8,107	7,942		59,293	20,272

* Period is from the establishment date, 10 June 2019 to 31 March 2020. Refer to Note 1 for further details.

** Where the Milford KiwiSaver Balanced Fund has invested into the Milford KiwiSaver Active Growth Fund, Milford KiwiSaver Aggressive Fund, Milford KiwiSaver Cash Fund and the Milford KiwiSaver Moderate Fund, these amounts have been eliminated from the Plan Total. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were both established on 18 March 2020, and as at 31 March 2020 their net asset values were \$3.6million and \$4.6million respectively. Whilst these 2 funds are not presented separately in these financial statements, their results have been included in the Plan's aggregated results. Refer to Note 1 for further detail.

The Notes form an integral part of, and should be read in conjunction with, these financial statements.



Notes to the Financial Statements

1. General information

Reporting entity

The reporting entity is the Milford KiwiSaver Plan ("the Plan"). The Plan is made up of six funds ("the Funds"):

- Milford KiwiSaver Cash Fund ("Cash Fund")
- Milford KiwiSaver Conservative Fund ("Conservative Fund")
- Milford KiwiSaver Moderate Fund ("Moderate Fund")
- Milford KiwiSaver Balanced Fund ("Balanced Fund")
- Milford KiwiSaver Active Growth Fund ("Active Growth Fund")
- Milford KiwiSaver Aggressive Fund ("Aggressive Fund")

The Manager of the Plan is Milford Funds Limited ("the Manager") and the Supervisor of the Plan is Trustees Executors Limited ("the Supervisor"). The Plan is registered and domiciled in New Zealand. The registered office of the Plan is Level 28, 48 Shortland Street, Auckland, 1010.

The Plan is a defined contribution scheme under the KiwiSaver Act 2006, which means that members contribute to the Plan over time and benefits payable depend on the amount of contributions made and any returns on contributions received. The Plan is also registered as a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013.

The Plan commenced on 1 April 2010 under the Trust Deed dated 19 March 2010. The Trust Deed of the Plan and the Establishment Deeds for each of the Funds have been amended and restated effective 1 August 2016 to be in compliance with the Financial Markets Conduct Act 2013.

The financial statements for the Plan cover the year/period ended 31 March 2020 and the comparatives cover the year ended 31 March 2019. The Milford KiwiSaver Aggressive Fund was established on 10 June 2019 and commenced operations on 31 July 2019. Therefore the current period for the Aggressive Fund is presented for the period from 10 June 2019 to 31 March 2020 without any comparatives. The Milford KiwiSaver Cash Fund and Milford KiwiSaver Moderate Fund were established on 18 March 2020 and were therefore in existence for less than 3 months before balance date. The financial statements of the Cash Fund and Moderate Fund for the period since the date of inception to 31 March 2021, will be presented in the Plan's financial statements for the year ended 31 March 2021. The financial results of these Funds for the period since the date of inception to 31 March 2020, have been incorporated in the aggregated Plan's financial results, which are presented in these financial statements.

The principal activities of the Funds are described below:

- The Cash Fund provides exposure to cash and cash-like securities through a diversified portfolio which includes New Zealand cash, term deposits and short-dated debt securities. The Fund may gain this exposure through investing into the Milford Investment Funds previously known as Milford Unit Trust PIE Funds, ("the Milford Investment Funds"). As at 31 March 2020 the Fund invests primarily into the Milford Cash Fund. The objective of the Fund is to generate annual returns above the New Zealand Official Cash Rate ('NZ OCR') after fees and before tax.
- The Conservative Fund holds a diversified mix of income-oriented investments which may be augmented with growth assets, and takes an active approach to sector and security selection. The Conservative Fund may gain this exposure by investing directly or into the Milford Investment Funds, externally managed funds, or the Milford Unit Trust Wholesale PIE Funds ("the Milford Wholesale Funds") (refer to Note 9.3). As at 31 March 2020 the Fund invests primarily into the Milford Conservative Fund. The Conservative Fund may use derivative products, short-sell securities and utilise leverage and active currency management. The objective of the Fund is to generate moderate returns and protect capital over the recommended investment timeframe.
- The Moderate Fund is an actively managed diversified fund that primarily invests in fixed interest securities with a significant allocation to equities. The Fund targets an investment mix of 60% income assets and 40% growth assets. The Fund may gain this exposure through investing into Milford Investment Funds or Milford Wholesale Funds. At 31 March 2020 the Fund invests primarily into the Milford Balanced Fund and Milford Conservative Fund. The objective of the Fund is to provide moderate returns and capital growth over a minimum 5 - year time horizon.



Notes to the Financial Statements

- The Balanced Fund actively invests in a diversified mix of investments including New Zealand equities and fixed interest securities, global equities and fixed interest securities, unlisted equities, unit trusts and managed funds. The Fund is actively managed in terms of sector weightings. The Fund may gain this exposure through investing directly or into Milford Investment Funds, the Milford KiwiSaver Active Growth Fund, externally managed funds or one or more of the Milford Wholesale Funds (refer to Note 9.3). The Fund may use derivative products, short-sell securities and utilise leverage and active currency management. The objective of the Fund is to generate capital growth over the minimum recommended timeframe.

- The Active Growth Fund is actively managed and invests in New Zealand, Australian and global listed and unlisted entities and unit trusts, cash and fixed interest securities. The Fund may gain this exposure through investing directly or into the Milford Wholesale Funds. The Fund invests primarily into the Milford Active Growth Wholesale Fund (refer to Note 9.3). The Fund may borrow up to 25% of the value of the Fund, use derivative products, short-sell securities and utilise leverage and active currency management. The objective of the Fund is to generate annual returns of 10% after the base fund fee but before tax and before performance fees over the recommended investment timeframe.

- The Aggressive Fund is actively managed and invests primarily in international shares with a moderate allocation to Australasian shares. The Fund is a higher risk investment and typically is fully invested in share markets with the aim of maximising the Fund's growth potential. The Fund may gain this exposure through investing directly or into the Milford Wholesale and Milford Investment Funds. The objective of the Fund is to maximise capital growth after the base fund fee but before tax and before performance fees (if applicable).

Statutory base

The Milford KiwiSaver Plan is registered under the Financial Markets Conduct Act 2013 (FMC Act) as a KiwiSaver Scheme. The Plan is a trust vehicle governed by a Trust Deed dated 1 August 2016.

Notes to the Financial Statements

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for for-profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The methods used to measure fair values are discussed in Note 2.2 (c). The accrual basis of accounting has been applied, as has the going concern assumption.

The results, positions and cash flows reported for the Plan are prepared on a consolidated basis, with the elimination of interfund transactions and balances.

There are no standards, amendments to standards or interpretations that are effective for the annual period beginning on 1 April 2019 that have a material effect on the financial statements of the Plan.

There are no standards, amendments or interpretations that have been issued but are not yet effective that are expected to materially impact the Plan's financial statements.

2.2 Investment entity

The Plan has direct investments in the Milford Wholesale Funds and in the Milford Investment Funds. The Plan meets the definition of an investment entity per NZ IFRS 10 'Consolidated financial statements' as the following conditions exist:

- (a) The Plan has obtained funds for the purpose of providing investors with investment management services.
- (b) The Plan's business purpose, which is communicated directly to investors, is investing solely for returns from capital appreciation and investment income.
- (c) The performance of investments made through other funds managed by the Manager, is measured and evaluated on a fair value basis.

The Plan also displays all four typical characteristics that are associated with an investment entity:

1. the Plan invests directly, or via look through to the underlying investments in the Milford Wholesale Funds, Milford Investment Funds and funds within the Plan, which were formed to provide investment management services to the Funds of the Plan.
2. the Plan has more than one investor;
3. the Plan has investors that are not related parties; and
4. ownership interests in the Plan are represented by units in the Funds.

2.3 Unconsolidated subsidiaries

The Milford KiwiSaver Balanced Fund controls the Milford KiwiSaver Moderate Fund.

The Milford KiwiSaver Balanced Fund invests into the Milford KiwiSaver Moderate Fund by purchasing units in the respective fund. The Milford KiwiSaver Moderate Fund allows permitted withdrawals (refer to Note 2.12) of their units on a daily basis.

The Milford KiwiSaver Balanced Fund investment in the Milford KiwiSaver Moderate Fund has not been consolidated in the Financial Statements of the Milford KiwiSaver Balanced Fund as the Fund meets the definition of an investment entity under NZ IFRS 10.

Please refer to Note 9.3: Related Parties for information on the Milford KiwiSaver Balanced Fund's unitholding in the Milford KiwiSaver Moderate Fund.

Notes to the Financial Statements

2.4 Financial instruments

(a) Classification

Assets

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both (a) the Plan's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

(i) *Financial assets at fair value through profit or loss*

The portfolio of financial assets at fair value through profit or loss is managed and performance is evaluated on a fair value basis. The Plan is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

All financial assets held at fair value are classified as financial assets mandatorily measured at fair value through profit or loss. Financial assets measured mandatorily at fair value through profit or loss comprise of equities, funds/unit trusts and derivatives.

(ii) *Financial assets at amortised cost*

- (a) **Cash and cash equivalents** include cash on hand and deposits held at call with banks in New Zealand dollars and foreign currencies. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Plan's main income generating activity.
- (b) **Unsettled investment sales** included in Trade and other receivables, are receivables for securities sold but not yet settled at balance date. The unsettled trade receivable balance is held for collection.
- (c) **Receivables, other than unsettled investment sales**, include margin accounts, interest and contributions receivables. Cash collateral provided by the Plan is identified as margin accounts and not included as a component of cash and cash equivalents.

Liabilities

(i) *Financial liabilities at fair value through profit or loss*

The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. All financial liabilities held at fair value are classified as financial liabilities mandatorily measured at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

(ii) *Financial liabilities at amortised cost*

- (a) **Unsettled investment purchases** included in Trade and other payables, are payables for securities purchased but not yet settled at balance date.
- (b) Payables other than unsettled investment purchases are amounts representing liabilities and accrued expenses owing by the Plan at balance date. These amounts include related party fees payable, overdrawn balances with brokers, distributions payable and withdrawals payable.

(b) Recognition, measurement and derecognition

(i) *Financial assets and liabilities at fair value through profit or loss*

The Plan recognises financial assets and liabilities at fair value through profit or loss on the date it becomes party to a contractual agreement. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statements of Changes in Net Assets. Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in fair value are recognised in the Statements of Changes in Net Assets when they arise.

Notes to the Financial Statements

Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the investments have expired or the Plan has transferred substantially all of the risks and rewards of ownership. This occurs upon maturity or disposal of the asset. Financial liabilities at fair value through profit or loss are derecognised when the obligation under the liability is discharged, cancelled or expires. Any gain or loss arising on derecognition of the financial asset or financial liability at fair value through profit or loss is included in the Statements of Changes in Net Assets in the period the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item. Interest and dividend income are separately recognised in the Statements of Changes in Net Assets. Purchases and sales of investments are recognised on the trade date, the date on which the Plan commits to purchase or sell the investment.

(ii) Financial assets and liabilities at amortised cost

The Plan recognises financial assets and liabilities at amortised cost on the date it becomes party to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value. Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost. At each reporting date, the Plan shall measure the loss allowance of the financial assets at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all criteria considered in determining the expected credit loss. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Plan shall measure the loss allowance at an amount equal to 12 month expected credit losses. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired. Financial assets at amortised cost are derecognised when the rights to receive cash flows from the investments have expired or the Plan has transferred substantially all of the risks and rewards of ownership. This occurs upon maturity or disposal of the asset. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires.

(c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date in the principal or, in its absence, the most advantageous market to which the Plan had access at that date. The fair value of a liability includes its non-performance risk.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance date without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last traded price. Where the last traded price falls outside of the bid-ask spread for a particular stock, bid price will be used to value the investment.

Fair value in an inactive market

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Plan uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market observable inputs and relying as little as possible on entity-specific inputs.

Fair value of unlisted funds or trusts

The Plan's investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each fund investment, as supplied by the fund's Manager and/or administrator. The Plan reviews details of the reported information obtained from the other funds and consider: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' advisors.

The rights of the Plan to request redemption of its investments in other funds are daily. The carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Plan may be materially affected by the actions of other investors who have invested in other funds in which the Plan has invested.

Notes to the Financial Statements

If necessary, the Plan makes adjustments to the net asset value of other fund investments to obtain the best estimate of fair value. Net changes in the fair value of financial instruments at fair value through profit or loss in the Statements of Changes in Net Assets include the change in fair value of each other fund.

Fair value of publicly traded and over-the-counter derivatives

- Fair value of forward foreign exchange contracts

Forward foreign exchange contracts are primarily used by the Plan to economically hedge against foreign currency exchange rate risks on its non-New Zealand dollar denominated trading securities. The Plan agrees to receive or deliver a fixed quantity of foreign currency for an agreed price on an agreed future date. The fair value of forward foreign exchange contracts is determined using valuation techniques based on spot exchange rates and forward points supplied by WM/Reuters. The Plan recognises a gain or loss equal to the change in fair value at the balance date and is presented in the Statements of Changes in Net Assets within net (losses)/gains on financial instruments at fair value through profit or loss.

- Fair value of futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market. The fair value of futures contracts is based on quoted market prices at balance date. When futures are closed, the amount paid or received, net of brokerage commissions, is recognised as a gain or loss and is presented in the Statements of Changes in Net Assets within net (losses)/gains on financial instruments at fair value through profit or loss.

- Fair value of options

Options are contractual arrangements under which the seller (writer) grants the purchaser (holder) the right but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or financial instruments at a predetermined price. The option contracts are collateralised by cash or marketable securities. When the Plan purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Plan writes an option, an amount equal to fair value which is based on the premium received by the Plan is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognised as a gain or loss and is presented in the Statements of Changes in Net Assets within net (losses)/gains on financial instruments at fair value through profit or loss. The fair value of option contracts is based on quoted market prices at balance date.

Refer to Note 5.3 for further details with regards to the fair value estimation of the respective financial instruments at fair value through profit or loss.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Net Assets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.6 Revenue recognition

- (a) Dividend and distribution income is recognised in the Statements of Changes in Net Assets when the Plan's right to receive payment is established.
- (b) Interest income on financial assets at amortised cost is included in income in the Statements of Changes in Net Assets and is recognised on a time proportionate basis using the effective interest method. Interest income on financial assets at amortised cost comprises of interest earned on bank accounts and margin accounts.
- (c) Net gains or losses on financial instruments at fair value through profit or loss are recognised in the Statements of Changes in Net Assets as disclosed in Note 2.4.
- (d) Net foreign exchange gains or losses on financial instruments at amortised cost are recognised in the Statements of Changes in Net Assets as disclosed in Note 2.11.
- (e) Underwriting and brokerage income is recognised in the Statements of Changes in Net Assets on an accrual basis at the point in time that the contract arrangement is agreed at which point the performance obligations of the Plan are satisfied.
- (f) Dividend and interest income is disclosed net of any resident withholding taxes deducted at source, as these tax credits are allocated to members under the PIE regime.

Notes to the Financial Statements

2.7 Expenses

The Manager pays audit, supervisory, custody and administration expenses from the management fee charged to the Funds of the Plan. The management fee is calculated on a daily basis based on the net asset value of the Fund and paid monthly. Performance fees are calculated and accrued daily if applicable and paid annually. Refer to Note 9.1 for further details. Member administration fees are charged monthly per member via a unit deduction payment when they arise.

2.8 Taxation

The Plan is a Portfolio Investment Entity ("PIEs"). Under the PIE regime, income is effectively taxed in the hands of the members and therefore the Plan has no tax expense. Accordingly, no income tax expense is recognised in the Statements of Changes in Net Assets.

Under the PIE regime, the Manager attributes the taxable income of the Plan to members in accordance with the proportion of their overall interest in the Plan. The income attributed to each member is taxed at the member's "Prescribed Investor Rate" which is capped at 28%. The Manager accounts for tax on behalf of members and undertakes any necessary adjustments to the members' interests in the Plan to reflect that the Plan pays tax at varying rates on behalf of members.

Members' funds have been adjusted to reflect the impact of tax on the value of unit holdings.

The tax attributable to members is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Positions taken in attributing taxable income to members, with respect to situations in which applicable tax regulations are subject to interpretation, are evaluated by the Manager as required.

2.9 Goods and Services Tax (GST)

The Plan is not registered for GST. All items in the Statements of Changes in Net Assets and the Statements of Net Assets are stated inclusive of GST.

2.10 Statements of Cash Flows

Definitions of the terms used in the Statements of Cash Flows are:

- (a) Operating activities include all transactions and other events that are not financing activities; and
- (b) Financing activities are those activities that result in changes in the size and composition of members' funds.

2.11 Foreign currencies

(a) Functional and presentation currency

These financial statements are presented in New Zealand dollars (\$), which is the Plan's functional currency, on the basis that the Plan's investors are mainly based in New Zealand, with the contributions and withdrawals denominated in New Zealand dollars. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

(b) Transactions and balances

Transactions denominated in foreign currencies are recognised at the exchange rates on the date of the transactions. Assets and liabilities as at balance date denominated in foreign currencies are translated at the foreign currency exchange rates on that date. Realised and unrealised exchange gains and losses during the financial period are recognised in the Statements of Changes in Net Assets. Foreign exchange gains and losses on cash and cash equivalents, unsettled investment sales and investment purchases payable are included in 'Net foreign currency gains/(losses) on financial instruments at amortised cost' in the Statements of Changes in Net Assets.

Notes to the Financial Statements

2.12 Net assets attributable to members

The net assets attributable to members represents the liability for promised retirement benefits. The Funds of the Plan issue units that are redeemable at the Members' discretion and do not have identical features and are therefore classified as financial liabilities and are measured at amortised cost. Units are redeemed for the purpose of permitted withdrawals (such as reaching the retirement age of 65 or enduring significant hardship), transferred to another Fund within the Plan or a separate KiwiSaver Scheme and which are equal to a proportionate share of the respective Fund's net asset value which is the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable at the period end date if Members exercise their right to redeem units back to the Funds.

As stipulated in the Trust Deed, each unit represents a right to an individual share in the respective Fund and does not extend to a right in the underlying assets of the respective Fund nor other funds within the Plan. The Trust Deed also stipulates that assets held for a Fund of the Plan shall not be made available to meet the liabilities incurred in relation to any other Fund of the Plan. The Funds' net asset value is calculated by dividing the net assets attributable to all holders of units in the Fund by the total number of units on issue of each Fund.

2.13 Related parties

A party is related to the Plan if:

- (a) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Plan;
- (b) it is a parent, subsidiary or fellow subsidiary of a party disclosed in Note 2.2; or
- (c) it has an interest in or relationship with the Plan that gives it significant influence over the Plan; or
- (d) the Plan has an interest in or relationship with the party that gives it significant influence over the party; or
- (e) they are a member of the Manager's key management personnel.

2.14 Changes in accounting policies

The Plan has consistently applied the accounting policies to all periods presented in these Financial Statements.

2.15 Restatement of comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements. There has been no changes to comparative figures as a result of the implementation of new accounting standards.

Notes to the Financial Statements

3. Accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Plan's accounting policies. The Manager has followed the applicable accounting guidance in selecting the accounting policy to designate financial assets at fair value through profit or loss at initial recognition. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair value of all financial assets as quoted market prices are readily available and in the case of derivatives observable market inputs are readily available. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at balance date. However as with all investments, their value is subject to variation due to market fluctuations.

The Manager has used judgement in the categorisation of its financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability (refer to Note 5.3 for further details).

COVID - 19

The World Health Organisation declared the coronavirus (COVID-19) to be a global pandemic on 11 March 2020 and the outbreak has spread across many countries, causing significant disruption to business and economic activity.

As a result, the financial markets were and continue to be affected by the on-going COVID-19 pandemic and so were unusually volatile. Actual economic events and conditions in the future may be materially different from those recorded at the reporting date. In the event the impacts from the COVID-19 pandemic are more severe or prolonged than anticipated, this may have further adverse impacts to the fair values of the Plan's investments.

The financial statements have been prepared based upon conditions existing as at 31 March 2020. For investments classified as either level 1 or 2 in accordance with NZ IFRS 13 fair value hierarchy, the measurement of these investments was based on quoted market prices or using valuation techniques for which all significant inputs are based on observable market data.

In addition, the Manager has also adopted a cautious approach in relation to asset exposures across its diversified fund portfolios. This has resulted in a lower exposure to equities and a higher exposure to cash and certain bonds than is typical. Credit quality, liquidity and market risks across bond and equity portfolios are continuing to be monitored closely. Unlisted investments have been assessed against current and forecast trading conditions with reductions in holding values of such securities made where appropriate.

Notes to the Financial Statements

4. Derivatives

4.1 Forward foreign exchange contracts

Forward foreign exchange contracts are contractual obligations to buy or sell one currency on a future date in exchange for a second currency at a specified forward foreign exchange rate. The forward foreign exchange contracts are agreed between the parties to the contract and are not traded on an exchange. The Plan's open positions in forward foreign exchange contracts at balance date are outlined below:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Forward foreign exchange contracts (notional value in NZD)										
Sell AUD/Buy USD	-	-	2,180	5,530	-	-	-	-	2,180	5,530
Sell CHF/Buy NZD	-	-	1,685	638	-	-	-	-	1,685	638
Sell EUR/Buy NZD	-	-	7,420	5,392	-	-	1,489	-	8,909	5,392
Sell GBP/Buy NZD	-	-	-	1,672	-	-	505	-	505	1,672
Sell JPY/Buy NZD	-	-	1,114	1,314	-	-	-	-	1,114	1,314
Sell NZD/Buy AUD	-	-	3,613	5,520	-	-	-	-	3,613	5,520
Sell NZD/Buy USD	-	-	2,205	-	-	-	3,289	-	5,494	-
Sell USD/Buy NZD	-	-	24,087	13,075	-	-	28,602	-	52,689	13,075

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Forward foreign exchange contracts (fair value in NZD)										
Sell AUD/Buy USD	-	-	115	(19)	-	-	-	-	115	(19)
Sell CHF/Buy NZD	-	-	(36)	(11)	-	-	-	-	(36)	(11)
Sell EUR/Buy NZD	-	-	(139)	5	-	-	(179)	-	(318)	5
Sell GBP/Buy NZD	-	-	-	19	-	-	(19)	-	(19)	19
Sell JPY/Buy NZD	-	-	(29)	(12)	-	-	-	-	(29)	(12)
Sell NZD/Buy AUD	-	-	(16)	42	-	-	-	-	(16)	42
Sell NZD/Buy USD	-	-	(394)	-	-	-	(263)	-	(657)	-
Sell USD/Buy NZD	-	-	(1,193)	(53)	-	-	(2,442)	-	(3,635)	(53)

Notes to the Financial Statements

4.2 Futures

Futures are contractual obligations to buy or sell an asset, such as a physical commodity, equity index or a financial instrument, at a predetermined future date and price. Futures contracts have standardised contract terms to facilitate trading on a futures exchange. The Balanced Fund and Aggressive Fund held the following equity index future contracts at balance date.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Long										
Notional value	-	-	-	-	-	-	832	-	832	-
Fair value	-	-	-	-	-	-	35	-	35	-
Short										
Notional value	-	-	(9,747)	(14,833)	-	-	-	-	(9,747)	(14,833)
Fair value	-	-	57	(20)	-	-	-	-	57	(20)

4.3 Exchange traded options

Exchange traded options are contracts that give the purchaser the right (but not the obligation) to buy (a call option) or sell (a put option) an underlying asset or instrument at a specified strike price on or before a specified date, depending on the details of the option. Exchange traded options have standardised contract terms that facilitate trading on an option exchange. The open options contracts at balance date are exposed to equity indices such as the S&P500, ASX 200 and Nikkei. Notional values in the table below are presented as absolute amounts.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Equity index options										
Notional values in NZD										
<i>Bought</i>										
Call options	-	-	-	5,504	-	-	5,701	-	5,701	5,504
Fair values in NZD										
<i>Bought</i>										
Call options	-	-	-	49	-	-	2	-	2	49

Notes to the Financial Statements

4.4 Foreign exchange options

Foreign exchange options are contractual obligations that give the purchaser the right (but not the obligation) to buy (a call option) or sell (a put option) an amount of one currency on a future date in exchange for a second currency at a foreign exchange rate which is established at the time of entering into the option. The option contracts are agreed between the parties to the contract and are not traded on an exchange.

The Plan's open positions in purchased options contracts at balance date are outlined below:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Notional values in NZD										
Call AUD/Put USD	-	-	6,194	14,582	-	-	-	-	6,194	14,582
Call NZD/Put USD	-	-	8,500	-	-	-	-	-	8,500	-
Fair value in NZD	-	-	2	88	-	-	-	-	2	88

5. Financial Risk Management

5.1 Financial risk factors

The Trust Deed for the Plan requires the Manager to invest the assets of the Plan in accordance with the Statement of Investment Policy and Objectives. The Plan is subject to a number of financial risks which arise as a result of its activities, including: market risk, liquidity risk and credit risk. The Plan's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Plan's financial performance.

5.1.1 Market risk

(a) Price risk

Price risk is the risk that the fair value or future cash flows of non-monetary financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to an issuer or factors affecting all similar financial instruments traded in the market.

Non-monetary financial instruments which potentially subject the Plan to price risk are investments in unit trusts, listed equities and listed derivatives, such as exchange traded futures and options. All investments in equities and unit trusts present a risk of loss of capital often due to factors beyond the Manager's control such as competition, regulatory changes, commodity price changes and changes in general economic climate domestically and internationally.

The Manager of the underlying unit trusts advised that this risk is moderated through stock selection and diversification of unit trust investments, daily monitoring of the unit trusts' market position and adherence to the unit trusts' investment policy. The unitised investments have underlying securities comprising domestic and international equity instruments and fixed interest securities that are subject to price risk.



Notes to the Financial Statements

For direct investments in equities or listed derivatives, the Manager moderates this risk through careful stock selection and diversification, daily monitoring of the Plan's market position and adherence to the Plan's investment policies.

The maximum market risk resulting from financial instruments is determined by their fair value.

Where non-monetary financial instruments are denominated in currencies other than NZD, the price initially expressed in foreign currency and then converted into NZD will also fluctuate because of changes in foreign exchange rates. In addition, where the Plan holds unit trusts which in turn invest in securities denominated in foreign currencies, the value of the unit trust will be affected by fluctuations in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' sets out how this component of price risk is managed and measured.

Sensitivity Analysis

A variable of 10% was selected for price risk as this is a reasonably expected movement based on historic trends in unit prices. If investments in financial instruments subject to price risk at balance date increased or decreased by 10% with all other variables held constant, this would have had the following impact on the Statements of Changes in Net Assets:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Equities, unit trusts and unlisted securities										
Carrying amount	214,453	89,159	338,923	257,227	1,341,811	1,192,195	70,567		1,911,204	1,499,920
Impact of a -10% change in prices	(21,445)	(8,916)	(33,892)	(25,723)	(134,181)	(119,220)	(7,057)		(191,120)	(149,992)
Impact of a +10% change in prices	21,445	8,916	33,892	25,723	134,181	119,220	7,057		191,120	149,992
Equity index futures and options										
Carrying amount	-	-	57	29	-	-	37		94	29
Impact of a -10% change in prices	-	-	975	1,435	-	-	(87)		888	1,435
Impact of a +10% change in prices	-	-	(975)	(1,115)	-	-	118		(857)	(1,115)

Members' funds would be impacted by the same amount less the PIE tax adjustment that would be attributed to members.

(b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan is exposed to foreign exchange risk primarily through holding foreign currency denominated cash and cash equivalents, trade and other receivables, trade and other payables and forward foreign exchange contracts. The Manager may hedge the exposure to currency fluctuations.

The Plan is also exposed indirectly to foreign exchange risk through its holdings in the Milford Wholesale Funds and the Milford Investment Funds and, at 31 March 2019, through its holdings in the iShares MSCI EAFE Min Vol ETF in addition to its holdings in the Milford Wholesale Funds and the Milford Investment Funds. The foreign exchange exposure in relation to these non-monetary assets is included as a component of market price risk (which forms part of the Price risk sensitivity (see note 5.1.1 (a))).

Notes to the Financial Statements

At the balance date the Plan had the following foreign currency exposures due to holdings of monetary assets and liabilities (expressed in NZD equivalents):

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Monetary assets/(liabilities)										
Australian Dollar (AUD)	-	-	9,306	14,747	-	-	-	-	9,306	14,747
Swiss Franc (CHF)	-	-	(1,715)	(646)	-	-	-	-	(1,715)	(646)
Euro (EUR)	-	-	(526)	(766)	-	-	(1,666)	-	(2,192)	(766)
United States Dollar (USD)	-	-	(34,417)	(22,100)	-	-	(27,748)	-	(62,165)	(22,100)
Japanese Yen (JPY)	-	-	957	1,320	-	-	24	-	981	1,320
Great British Pound (GBP)	-	-	22	(1,644)	-	-	(523)	-	(501)	(1,644)

The table below summarises the impact on the Statements of Changes in Net Assets on monetary assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 10% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Monetary assets/(liabilities)										
Exchange rates increased by 10%										
Australian Dollar (AUD)	-	-	(846)	(1,341)	-	-	-	-	(846)	(1,341)
Swiss Franc (CHF)	-	-	156	59	-	-	-	-	156	59
Euro (EUR)	-	-	48	70	-	-	151	-	199	70
United States Dollar (USD)	-	-	3,129	2,009	-	-	2,523	-	5,651	2,009
Japanese Yen (JPY)	-	-	(87)	(120)	-	-	(2)	-	(89)	(120)
Great British Pound (GBP)	-	-	(2)	149	-	-	48	-	46	149
Exchange rates decreased by 10%										
Australian Dollar (AUD)	-	-	1,034	1,639	-	-	-	-	1,034	1,639
Swiss Franc (CHF)	-	-	(191)	(72)	-	-	-	-	(191)	(72)
Euro (EUR)	-	-	(58)	(85)	-	-	(185)	-	(244)	(85)
United States Dollar (USD)	-	-	(3,824)	(2,456)	-	-	(3,083)	-	(6,907)	(2,456)
Japanese Yen (JPY)	-	-	106	147	-	-	3	-	109	147
Great British Pound (GBP)	-	-	2	(183)	-	-	(58)	-	(56)	(183)

Notes to the Financial Statements

At the balance date the Plan had the following foreign currency exposures due to holdings of non-monetary assets and liabilities (expressed in NZD equivalents):

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Non-monetary assets/(liabilities)										
Australian Dollar (AUD)	-	-	3	11	-	-	-	-	3	11
Japanese Yen (JPY)	-	-	-	-	-	-	606	-	606	-
United States Dollar (USD)	-	-	54	5,218	-	-	6,868	-	6,922	5,218

The table below summarises the impact on the Statements of Changes in Net Assets on non-monetary assets at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 10% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Non-monetary assets/(liabilities)										
Exchange rates increased by 10%										
Australian Dollar (AUD)	-	-	-	(1)	-	-	-	-	-	(1)
Japanese Yen (JPY)	-	-	-	-	-	-	(55)	-	(55)	-
United States Dollar (USD)	-	-	(5)	(474)	-	-	(624)	-	(629)	(474)
Exchange rates decreased by 10%										
Australian Dollar (AUD)	-	-	-	1	-	-	-	-	-	1
Japanese Yen (JPY)	-	-	-	-	-	-	67	-	67	-
United States Dollar (USD)	-	-	6	580	-	-	763	-	769	580

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In addition to interest rate risk on indirect fixed interest investments through its holdings in the Milford Wholesale Funds and Milford Investment Funds which is captured in Price risk sensitivity (see Note 5.1.1 (a)), the Plan's direct holdings in cash and cash equivalents exposes the Plan to cash flow interest rate risk. The Plan can invest cash in New Zealand and internationally (short term investments only) and interest income and investment valuations are therefore subject to changes in New Zealand and international interest rates. The Manager may hedge the exposure to interest fluctuations. The Plan has no direct exposure to fair value interest rate risk.

Notes to the Financial Statements

Cash flow sensitivity analysis

A change in interest rates impacts the cash flow of the Plan's cash and cash equivalents by increasing or decreasing the amount of interest received. A variable of 10 basis points (0.1%), (31 March 2019 : 100 basis points (1%)) was selected as this is a reasonably expected movement based on past overnight cash rate movements. The one year cash flow sensitivity to a 10 basis points (31 March 2019: 100 basis points) movement in interest rates (based on assets held at reporting date), with all other variables held constant, is shown in the following table:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Cash and cash equivalents										
Carrying amount	2,204	1,210	18,846	10,955	30,060	8,107	7,942	59,293	20,272	
Increase of 0.1% (2019: 1%)	2	12	19	110	30	81	8	59	203	
Decrease of 0.1% (2019: 1%)	(2)	(12)	(19)	(110)	(30)	(81)	(8)	(59)	(203)	

In addition to the Plan's direct exposure to interest rate change on the cash flows of cash and cash and cash equivalents shown above, the Plan is indirectly affected by the impact of interest rate changes on the value of their investments in the Milford Wholesale Funds and Milford Investment Funds. These indirect exposures form part of the Price risk sensitivity (see Note 5.1.1 (a)). Therefore, the above sensitivity analysis does not fully indicate the total effect on the Funds' Net Assets available for benefits of future movements in interest rates.

5.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Plan. The Plan may require collateral or other security to support financial instruments with credit risk. Financial instruments that subject the Plan to credit risk consist primarily of cash and cash equivalents, margin accounts and trade and other receivables including amounts receivable for unsettled investment trades, dividends receivable and contributions receivable.

The Plan's policy is to invest in debt securities that have a minimum credit rating of BBB/Baa or higher designated by a well-known rating agency. The Plan may also invest in unrated assets where a rating is assigned by the Manager using an approach that is consistent with the approach used by that rating agency.

The Plan's cash and cash equivalent balances are all held with banks with a Standard and Poor's equivalent credit rating of AA- (2019 : AA-). Below is the credit rating analysis for the margin accounts held by the Balanced Fund and the Aggressive Fund.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Margin Accounts	-	-	1,439	768	-	-	302	1,741	768	
Rating category	A-	-	10	10	-	-	-	10	10	
Rating category	BBB+	-	1,429	758	-	-	302	1,731	758	

Notes to the Financial Statements

All other receivables including amounts due from brokers are held by parties which the Manager considers to have a strong capacity to meet their contractual obligations in the near term. The Plan also restricts its exposure to credit losses on the trading derivatives it holds by entering into International Swap and Derivatives Association (ISDA) arrangements with their counterparties (Refer to Note 5.1.4 for further details) with whom it undertakes derivative transactions. The arrangements do not result in an offset of the Statements of Net Assets' assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by the arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The overall exposure to credit risk on derivative instruments subject to such arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement. The forward foreign exchange contracts and foreign exchange options as disclosed in Note 4.1 and 4.4 are with banks with a AA- Standard and Poor's credit rating.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. Investments in unlisted funds are held in funds managed by the Manager (refer to Note 9). The Manager considers that all the unlisted funds held at balance date have a strong capacity to meet their contractual obligations in accordance with the respective offering documents.

The maximum credit risk of financial instruments is considered to be the carrying amount on the Statements of Net Assets. There is a risk of non-recovery. In accordance with the Plan's policy, the Manager monitors the Plan's credit positions on a daily basis. The Investment Management Committee reviews it on a monthly basis.

The Plan measures credit risk and expected credit losses using the probability of default, exposure at default and loss given default.

At balance date, the credit risk has not increased significantly for any of the financial assets at amortised cost since initial recognition. As a result, the Manager measured the loss allowance at an amount equal to 12 month expected credit losses. The Manager, depending on the nature and type of financial assets at amortised cost, considers both the historical and forward looking information, the duration of the instrument, and the credit ratings of the counterparty in determining any expected credit losses.

As at 31 March 2020 and 31 March 2019:

All other receivable balances and amounts due from brokers are due to be settled within 1 month and are held with counterparties which the Manager considers have a strong capacity to meet their contractual obligations in the near term.

Cash and margin accounts and any interest accruals on any of these instruments are highly liquid and held with counterparties with strong credit ratings. The Manager has no historical information or forward looking information which suggests that there is any losses to be recognised.

The Manager therefore considers the expected credit losses for all the financial assets held at amortised cost held by the Plan to be close to zero. As a result no loss allowance has been recognised based on the 12-month expected credit losses as any such impairment would be wholly insignificant to the Plan.

The clearing and depository operations for the Plan's security transactions are via multiple brokers with strong capacity to meet their obligations. At 31 March 2020 and 31 March 2019, cash and cash equivalents and the majority of investments are placed in custody with National Australia Bank which had a credit rating of AA- (31 March 2019 : AA-). Balances due from brokers (i.e. for unsettled investment sales) have no credit risk given in the event of non-performance (i.e. the trade not settling), the Plan would retain the investment. Additionally, margin accounts are held with Deutsche Bank and UBS which had credit ratings of BBB+ and A- respectively (31 March 2019: BBB+ and A-) respectively. It is expected that all securities and other deposits with custodians or brokers will be clearly identified as assets of the Plan; the Plan should not therefore be exposed to a credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Plan may experience an increase in exposure to credit risk associated with the applicable custodians or brokers.

The Plan is indirectly exposed to credit risk through its investments in unlisted unit trusts, who in turn, invest in direct assets such as debt instruments issued by domestic and international companies and governments. The Plan is indirectly exposed to credit risk through its investments in the Milford Wholesale Funds and Milford Investment Funds, the exposure to which forms part of the price risk sensitivity.

Notes to the Financial Statements

5.1.3 Liquidity risk

Liquidity risk is the risk that the Plan will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Liquidity risk is managed by holding liquid investments to enable the Plan to meet liabilities as they fall due and withdrawals when requested. The Plan invests in various funds managed by Milford Funds Limited, which in turn, maintain sufficient liquidity in their portfolios to cover reasonably foreseeable redemptions under normal market conditions. The Plan also directly holds securities that are listed on internationally recognised exchanges. Monies received from member contributions may be used to offset withdrawals and the Manager may in certain circumstances suspend withdrawals from the Plan and or various funds represented by Milford Funds Limited in which the Plan invests.

The Plan's investment policies do not state a minimum required level of investment in liquid investments however do state a minimum level of income assets required. The Plan's financial liabilities consist of trade and other payables and derivatives (forward foreign exchange contracts) which are short term in nature and classified as a current liability at reporting date. Current liabilities of financial derivative instruments consist of the fair value of forward foreign exchange contracts at balance date. The current fair value represents the estimated cash flow that may be required to dispose of the positions at balance date. Future cash flows of the Plan and realised liabilities may differ from current liabilities based on future changes in market conditions.

The table below shows the remaining undiscounted contractual cash flows over their respective maturities for the Plan's financial liabilities:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Financial liabilities at fair value through profit or loss										
7 days to 2 months	-	-	(1,807)	(95)	-	-	(2,958)	-	(4,765)	(95)
2 months - 6 months	-	-	-	(31)	-	-	-	-	-	(31)
6 months - 1 year	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost										
Trade and other payables										
Less than 7 days	(2,526)	(49)	(1,742)	(179)	(3,944)	(486)	(312)	-	(1,154)	(714)
Related party payables										
Less than 2 months	(5)	(1)	(141)	(89)	(1,339)	(978)	(5)	-	(4,503)	(1,068)
Net assets available for benefits										
Unknown	(216,955)	(90,516)	(355,609)	(268,781)	(1,365,435)	(1,198,322)	(76,725)	-	(1,960,522)	(1,518,958)

Notes to the Financial Statements

5.1.4 Offsetting and amounts subject to master netting arrangements and similar agreements

The Plan is subject to International Swaps and Derivatives Association (ISDA) arrangements with their derivative counterparties; ANZ, BNZ, Deutsche Bank, Westpac Banking Corporation, Citibank and UBS. According to the terms of the ISDA arrangements with the respective counterparties all the derivatives, can be settled on a net basis.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:										
Gross amounts of recognised financial assets	-	-	174	213	-	-	92	-	266	213
Gross amounts of recognised financial liabilities set-off in the Statements of Net Assets	-	-	-	-	-	-	-	-	-	-
Net amounts of financial assets presented in the Statements of Net Assets	-	-	174	213	-	-	92	-	266	213
<i>Related amounts not set-off in the Statements of Net Assets</i>										
Financial instruments	-	-	(117)	(108)	-	-	(55)	-	(172)	(108)
Net amount	-	-	57	105	-	-	37	-	94	105
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:										
Gross amounts of recognised financial liabilities	-	-	(1,807)	(126)	-	-	(2,958)	-	(4,765)	(126)
Gross amounts of recognised financial assets set-off in the Statements of Net Assets	-	-	-	-	-	-	-	-	-	-
Net amounts of financial liabilities presented in the Statements of Net Assets	-	-	(1,807)	(126)	-	-	(2,958)	-	(4,765)	(126)
<i>Related amounts not set-off in the Statements of Net Assets</i>										
Financial instruments	-	-	117	108	-	-	55	-	172	108
Net amount	-	-	(1,690)	(18)	-	-	(2,903)	-	(4,593)	18

Per the terms of the ISDA agreement each party has the option to settle all open contracts on a net basis in the event of default by the other party. The ISDA agreement defines an event of default as including the following:

- failure by a party to make a payment when due
- failure by a party to perform an obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after notice of such failure is given to the party
- bankruptcy

The related amounts not set-off in the Statements of Net Assets represent amounts that have not been offset in the Statements of Net Assets but could be expected to be offset in the event of default by either the Plan or its counterparty to the derivative contract. For financial instruments this is the maximum value of assets and liabilities that could be offset. For cash collateral this is the value of cash that could be withheld by the counterparty to settle derivatives, such as future and option contracts which are in a liability position.

Notes to the Financial Statements

5.2 Capital risk management

Net assets available to pay benefits are considered to be the Plan's capital for the purposes of capital management notwithstanding net assets available to pay benefits is classified as a liability for accounting. The Plan does not have to comply with externally imposed capital requirements. The Plan's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Plan's members' values as well as ensuring its net assets available to pay benefits are sufficient to meet all present and future obligations. In order to meet its objectives for capital management, the Plan's Manager monitors the Plan's performance on a regular basis.

5.2.1 Units on Issue

Unit thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund
For the year/period ended 31 March	2020	2019	2020	2019	2020	2019	2020
Units on issue at the start of the year/period	51,816	30,566	118,148	92,791	329,033	257,336	-
Total unit contributions for the year/period	111,993	36,857	74,402	42,500	117,790	93,673	100,306
Total unit withdrawals for the year/period	(41,654)	(15,607)	(35,610)	(17,143)	(62,681)	(21,976)	(16,853)
Units on issue at the end of the year/period	122,155	51,816	156,940	118,148	384,142	329,033	83,453

5.3 Fair value estimation

Fair value measurements are categorised into a three level hierarchy that reflects the significance of the inputs used in making the measurements. The Plan recognises transfers between levels of the fair value hierarchy as at the end of the financial reporting period during which the change has occurred.

Level 1 - fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs.

Level 2 - fair value in an inactive or unquoted market using valuation techniques and observable market data

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data.

Level 3 - fair value in an inactive or unquoted market using valuation techniques without observable market data

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which any significant input is not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

All financial assets and liabilities not measured at fair value through profit or loss are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

Notes to the Financial Statements

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into levels 1 to 3 based on the degree to which the fair value is observable. There are no level 3 financial instruments. There have been no transfers between levels.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Level 1 Assets										
<i>Financial assets at fair value through profit or loss</i>										
Equity index futures	-	-	57	11	-	-	35	-	92	11
Equity index options	-	-	-	49	-	-	2	-	2	49
Listed equities	-	-	-	-	-	-	7,438	-	7,438	-
Listed funds/trusts	-	-	-	5,199	-	-	-	-	-	5,199
Total Level 1 Assets	-	-	57	5,259	-	-	7,475	-	7,532	5,259
Level 2 Assets										
<i>Financial assets at fair value through profit or loss</i>										
Foreign exchange options	-	-	2	88	-	-	-	-	2	88
Forward foreign exchange contracts	-	-	115	66	-	-	55	-	170	66
Unlisted funds/trusts	214,453	89,159	338,923	252,028	1,341,811	1,192,195	63,129	1,192,195	1,903,766	1,494,721
Total Level 2 Assets	214,453	89,159	339,040	252,182	1,341,811	1,192,195	63,184	1,192,195	1,903,938	1,494,875
Level 1 Liabilities										
<i>Financial liabilities at fair value through profit or loss</i>										
Equity index futures	-	-	-	(31)	-	-	-	-	-	(31)
Total Level 1 Liabilities	-	-	-	(31)	-	-	-	-	-	(31)
Level 2 Liabilities										
<i>Financial liabilities at fair value through profit or loss</i>										
Forward foreign exchange contracts	-	-	(1,807)	(95)	-	-	(2,958)	-	(4,765)	(95)
Total Level 2 Liabilities	-	-	(1,807)	(95)	-	-	(2,958)	-	(4,765)	(95)

The fair value of listed equities, listed funds/trusts and listed equity index futures and options is determined using quoted market prices in an active market. This measurement basis falls within Level 1 of the fair value hierarchy.

The fair value of forward foreign exchange contracts is calculated from spot exchange rates and forward points supplied by WM/Reuters. This measurement basis falls within Level 2 of the fair value hierarchy as all inputs used to calculate the fair value are based on observable market data.

The fair value of foreign exchange options are obtained from third party pricing sources where the fair values are derived from option pricing models using market observable inputs such as currency exchange rates in the valuation methodology and are classified as Level 2 in the fair value hierarchy.

Notes to the Financial Statements

The Plan's investments in each of the funds managed by the Manager are recognised at fair value which are based on the latest available redemption prices of the units in the Milford Wholesale Funds, Milford Investment Funds and Funds of the Plan. The Manager reviews the details of the reported information obtained from the Milford Funds and considers:

- (a) the liquidity of the Plan's holding in the Milford Funds or their underlying investments;
- (b) the value date of the Net Asset Values ("NAVs") provided; and
- (c) any restrictions on redemptions

The fair value of unlisted funds/trusts is determined using the redemption price, based on the valuation of its underlying investments, as supplied by the Manager on a daily basis. This measurement basis falls within Level 2 of the fair value hierarchy as all significant inputs used to calculate the fair value are based on observable market data.

Refer to Note 2.2(c) of the accounting policies for further details on the fair value hierarchy.

6. Financial instruments at fair value through profit or loss

6.1 Financial assets at fair value through profit or loss

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Equity index futures	-	-	57	11	-	-	35	-	92	11
Equity index options	-	-	-	49	-	-	2	-	2	49
Foreign exchange options	-	-	2	88	-	-	-	-	2	88
Forward foreign exchange contracts	-	-	115	66	-	-	55	-	170	66
Listed equities	-	-	-	-	-	-	7,438	-	7,438	-
Listed funds/trusts	-	-	-	5,199	-	-	-	-	-	5,199
Unlisted funds/trusts	214,453	89,159	338,923	252,028	1,341,811	1,192,195	63,129	-	1,903,766	1,494,721
Total financial assets at fair value through profit or loss	214,453	89,159	339,097	257,441	1,341,811	1,192,195	70,659	-	1,911,470	1,500,134

6.2. Financial liabilities at fair value through profit or loss

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Equity index futures	-	-	-	(31)	-	-	-	-	-	(31)
Forward foreign exchange contracts	-	-	(1,807)	(95)	-	-	(2,958)	-	(4,765)	(95)
Total financial liabilities at fair value through profit or loss	-	-	(1,807)	(126)	-	-	(2,958)	-	(4,765)	(126)



Notes to the Financial Statements

7. Concentration of investments

The following table presents the securities, excluding derivatives, exceeding 5% of net assets available for benefits at balance date:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	% of NAV	2020	% of NAV	2020	% of NAV	2020	% of NAV	2020	% of NAV
As at 31 March										
Investments exceeding 5% of net assets available for benefits										
Milford Active Growth Wholesale Fund					1,341,811	98.3%			1,341,811	68.4%
Milford Income Wholesale Fund			140,980	39.6%					140,980	7.2%
Milford Global Equity Fund			69,176	19.5%						
Milford KiwiSaver Active Growth Fund			53,037	14.9%						
Milford Global Select Wholesale Fund							46,857	61.1%		
Milford Australian Equity Wholesale Fund							4,547	5.9%		
Milford Dynamic Fund							4,709	6.1%		
Milford Trans-Tasman Equity Fund							7,016	9.1%		
Milford Conservative Fund	214,453	98.8%							214,453	10.9%

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2019	% of NAV	2019	% of NAV	2019	% of NAV	2019	% of NAV	2019	% of NAV
As at 31 March										
Investments exceeding 5% of net assets available for benefits										
Milford Active Growth Wholesale Fund					1,192,195	99.5%			1,192,195	78.5%
Milford Income Wholesale Fund			105,734	39.3%					105,734	7.0%
Milford Global Equity Fund			46,728	17.4%						
Milford KiwiSaver Active Growth Fund			38,661	14.4%						
Milford Conservative Fund	89,159	98.5%							89,159	5.9%



Notes to the Financial Statements

The following table presents the securities, excluding derivatives, exceeding 5% of security class

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	% of Security class	2020	% of Security class	2020	% of Security class	2020	% of Security class	2020	% of Security class
As at 31 March										
Listed equities										
freee KK							606	8.2%	606	8.2%
Amazon.Com Inc							559	7.5%	559	7.5%
Activision Blizzard Inc							411	5.5%	411	5.5%
Alibaba Group Holding-Sp Adr							609	8.2%	609	8.2%
Cme Group Inc							483	6.5%	483	6.5%
Dr Horton Inc							459	6.2%	459	6.2%
Electronic Arts Inc							422	5.7%	422	5.7%
Alphabet Inc Class C							522	7.0%	522	7.0%
McDonald's Corp							390	5.2%	390	5.2%
Microsoft Corporation							694	9.3%	694	9.3%
Tencent Holdings Ltd-UNS ADR							662	8.9%	662	8.9%
Visa Inc-Class A Shares							522	7.0%	522	7.0%
Waste Management Inc							437	5.9%	437	5.9%

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	% of Security class	2020	% of Security class	2020	% of Security class	2020	% of Security class	2020	% of Security class
As at 31 March										
Unlisted funds/trusts										
Milford Active Growth Wholesale Fund					1,341,811	100.00%			1,341,811	70.5%
Milford Income Wholesale Fund			140,980	41.6%					140,980	7.4%
Milford Global Select Wholesale Fund							46,857	74.2%		
Milford Australian Equity Wholesale Fund							4,547	7.2%		
Milford Conservative Fund	214,453	100.0%							214,453	11.3%
Milford Global Equity Fund			69,176	20.4%						
Milford Dynamic Fund							4,709	7.5%		
Milford Trans-Tasman Equity Fund							7,016	11.1%		
Milford KiwiSaver Active Growth Fund			53,037	15.6%						

Notes to the Financial Statements

The following table presents the securities, excluding derivatives, exceeding 5% of security class.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2019	% of Security class	2019	% of Security class	2019	% of Security class	2019	% of Security class	2019	% of Security class
Listed funds/trusts										
iShares MSCI EAFE Min Vol ETF			5,199	100.0%					5,199	100.0%
Unlisted funds/trusts										
Milford Active Growth Wholesale Fund					1,192,195	100.0%			1,192,195	79.8%
Milford Income Wholesale Fund			105,734	42.0%					105,734	7.1%
Milford Global Equity Fund			46,728	18.5%						
Milford Conservative Fund	89,159	100.0%							89,159	6.0%
Milford KiwiSaver Active Growth Fund			38,661	15.3%						

8. Financial instruments by category

Financial instruments currently recognised in the financial statements comprise cash and cash equivalents, trade and other receivables, financial assets and liabilities at fair value through profit or loss and trade and other payables. The following table details the Plan's financial assets and liabilities by category:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Financial assets at fair value through profit and loss	214,453	89,159	339,097	257,441	1,341,811	1,192,195	70,659		1,911,470	1,500,134
Financial assets at amortised cost										
Cash and cash equivalents	2,204	1,210	18,846	10,955	30,060	8,107	7,942		59,293	20,272
Trade and other receivables	2,780	745	2,510	1,482	3,315	1,717	898		5,253	3,944
Total financial assets at amortised cost	4,984	1,955	21,356	12,437	33,375	9,824	8,840		64,546	24,216
Total financial assets	219,437	91,114	360,453	269,878	1,375,186	1,202,019	79,499		1,976,016	1,524,350
Financial liabilities at fair value through profit and loss	-	-	1,807	126	-	-	2,958		4,765	126
Financial liabilities at amortised cost										
Trade and other payables	2,526	49	1,742	179	3,944	486	312		1,154	714
Trade and other payables to related parties	5	1	141	89	1,339	978	5		4,503	1,068
Net assets available for benefits	216,955	90,516	355,609	268,781	1,365,435	1,198,322	76,725		1,960,522	1,518,958
Total financial liabilities at amortised cost	219,486	90,566	357,492	269,049	1,370,718	1,199,786	77,042		1,966,179	1,520,740
Total financial liabilities	219,486	90,566	359,299	269,175	1,370,718	1,199,786	80,000		1,970,944	1,520,866

Notes to the Financial Statements

9. Related parties

9.1 Manager and Supervisor

The Manager of the Plan is Milford Funds Limited. The Manager is entitled to the following management fees per annum for services as Manager:

- Milford KiwiSaver Cash Fund - 0.20% per annum
- Milford KiwiSaver Conservative Fund - 0.95% per annum
- Milford KiwiSaver Moderate Fund - 0.95% per annum
- Milford KiwiSaver Balanced Fund - 1.05% per annum
- Milford KiwiSaver Active Growth Fund - 1.05% per annum
- Milford KiwiSaver Aggressive Fund - 1.15% per annum

The management fees are used to cover expenses for administration fees, supervisor fees, audit fees and other appropriate expenses payable by the Plan. The management fees are calculated daily and paid monthly directly from the Plan.

The Manager is also entitled to be paid a performance fee for the KiwiSaver Active Growth Fund in respect of the 12 month period ending 31 March in any period that the investment performance is above the benchmark and the high water mark. The performance fee is equal to 15% of the amount that the return of the Fund (after the deduction of the base fund fee but before tax and before the performance fee) exceeds the benchmark. The benchmark is a 10% return per annum. The payment of the performance fee is made if the net asset value per unit exceeds the net asset value per unit used in the calculation of the last performance fee paid (the high water mark). The high water mark is the Fund's previous highest ever net asset value per unit achieved on 31 March. If this condition is not met, payment is deferred until it is met. Absolute performance losses are carried forward into the next performance period.

The Milford KiwiSaver Balanced Fund and the Milford KiwiSaver Aggressive Fund may invest into related Milford Funds which are subject to performance fees payable to the Manager.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
31 March										
Fees paid and payable to related parties for the year/period ended 31 March were as follows:										
Milford Funds Limited:										
Management fees	1,147	627	3,710	2,438	15,428	10,943	390		20,675	14,008
Management fee rebates	(1,120)	(608)	(2,324)	(1,356)	-	-	(372)		(3,816)	(1,964)
Management fees payable	5	1	141	89	1,339	978	5		1,490	1,068

The Supervisor of the Plan is Trustees Executors Limited. The Supervisor is entitled to receive a fee from the Manager for supervisory services of up to 0.015% of the gross asset values of the Funds of the Plan. Trustees Executors Limited performed registry services for the Plan up to 5 June 2018 and was entitled to receive a fee from the Manager for these services. Registry services since this date are provided by MMC Limited, who are not a related party to Milford.

Notes to the Financial Statements

The Plan incurred the following fees to related parties that were paid for by the Manager on behalf of the Plan for the year/period ended 31 March:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the year/period ended 31 March										
Trustees Executors Limited										
Supervisor fees	14	8	41	29	169	130	4		228	167
Registry Fees	-	8	-	27	-	121	-		-	156

The Plan incurred the following audit fees that were paid for by the Manager on behalf of the Plan for the year/period ended 31 March:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the year/period ended 31 March										
PricewaterhouseCoopers New Zealand										
Audit fees	16	16	16	16	16	16	13		61	48

The Manager also paid administration, legal and custody expenses on behalf of the Plan to non-related parties. A monthly \$3.00 member administration fee is deducted from each member by way of unit redemption and is payable to the Manager. This is accounted for as a withdrawal and does not impact net profit before membership activities. From 1 September 2019 the member administration fees for members under 21 and over 65 have been waived by the manager.

From time to time the Manager undertakes certain trades of investments between the Funds of the Plan and various funds managed by the Manager without incurring brokerage costs. In the opinion of the Manager these transactions were made at fair value. No such trades occurred during the current period or the comparative financial year.

Holdings in the Plan by Directors and key management personnel of the Manager and their immediate family members that are directly or indirectly held:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Holdings	-	-	-	-	1,437	2,323	962		2,399	2,323

Notes to the Financial Statements

9.2 Investments in the Plan by related parties

The following table shows the value of investments by related parties in the Plan at balance date:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Milford KiwiSaver Funds										
Milford KiwiSaver Balanced Fund	-	-	-	-	53,037	38,661	4,597	-	-	-
Total	-	-	-	-	53,037	38,661	4,597	-	-	-

At balance date, the Milford KiwiSaver Balanced Fund also held investments with a fair value of \$4,997,000 and \$1,000,100 in the Milford KiwiSaver Moderate Fund and Milford KiwiSaver Cash Fund respectively.

The following table shows the (losses) incurred or income earned by related parties from their investments in the Plan in the year/period ended.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the year/period ended 31 March										
Milford KiwiSaver Funds										
Milford KiwiSaver Balanced Fund	-	-	-	-	(2,170)	1,899	(403)	-	-	-
Total	-	-	-	-	(2,170)	1,899	(403)	-	-	-

The Milford KiwiSaver Balanced Fund also made an unrealised loss of \$3,000 and an unrealised gain of \$100 from its investments in the Milford KiwiSaver Moderate Fund and Milford KiwiSaver Cash Fund respectively.

Notes to the Financial Statements

9.3 Investments by the Plan in related parties

The following table shows the value of investments by the Plan in related parties at balance date:

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Milford Wholesale Funds										
Milford Active Growth Wholesale Fund	-	-	-	-	1,341,811	1,192,195	-	-	1,341,811	1,192,195
Milford Income Wholesale Fund	-	-	140,979	105,734	-	-	-	-	140,979	105,734
Milford NZ Equities Wholesale Fund	-	-	7,471	11,034	-	-	-	-	7,471	11,034
Milford Australian Equities Wholesale Fund	-	-	-	-	-	-	4,547	-	4,547	-
Milford Global Select Wholesale Fund	-	-	9,283	8,924	-	-	46,857	-	56,140	8,924
Milford Investment Funds										
Milford Balanced Fund	-	-	-	-	-	-	-	-	2,709	-
Milford Trans-Tasman Equity Fund	-	-	9,816	11,327	-	-	7,016	-	16,832	11,327
Milford Trans-Tasman Bond Fund	-	-	7,689	8,502	-	-	-	-	7,689	8,502
Milford Dynamic Fund	-	-	10,994	6,008	-	-	4,709	-	15,703	6,008
Milford Global Corporate Bond Fund	-	-	11,495	9,706	-	-	-	-	11,495	9,706
Milford Global Equity Fund	-	-	69,176	46,728	-	-	-	-	69,176	46,728
Milford Conservative Fund	214,453	89,159	-	-	-	-	-	-	217,176	89,159
Milford Australian Absolute Growth Fund	-	-	8,389	5,404	-	-	-	-	8,389	5,404
Milford Cash Fund	-	-	-	-	-	-	-	-	3,649	-
Milford KiwiSaver Funds										
Milford KiwiSaver Active Growth Fund	-	-	53,037	38,661	-	-	-	-	-	-
Milford KiwiSaver Aggressive Fund	-	-	4,597	-	-	-	-	-	-	-
Milford KiwiSaver Cash Fund	-	-	1,000	-	-	-	-	-	-	-
Milford KiwiSaver Moderate Fund	-	-	4,997	-	-	-	-	-	-	-
Total	214,453	89,159	338,923	252,028	1,341,811	1,192,195	63,129	2,709	1,903,766	1,494,721

The Milford KiwiSaver Balanced Fund provided the seeding capital of \$5,000,000 to the Milford KiwiSaver Moderated Fund. At 31 March 2020, the Milford KiwiSaver Balanced held 92.1% of the Milford KiwiSaver Moderate Fund's units on issue.

Notes to the Financial Statements

The following table shows the (loss) incurred or income earned by the Plan from their investments in related parties in the year/period ended.

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the year/period ended 31 March										
Milford Wholesale Funds										
Milford Active Growth Wholesale Fund	-	-	-	-	(37,134)	77,159	-	-	(37,134)	77,159
Milford Income Wholesale Fund	-	-	(3,955)	8,940	-	-	-	-	(3,955)	8,940
Milford NZ Equities Wholesale Fund	-	-	879	917	-	-	-	-	879	917
Milford Australian Equities Wholesale Fund	-	-	-	162	-	-	(1,184)	-	(1,184)	162
Milford Global Select Wholesale Fund	-	-	1,111	397	-	-	(2,256)	-	(1,145)	397
Milford Investment Funds										
Milford Trans-Tasman Equity Fund	-	-	(418)	1,230	-	-	(1,098)	-	(1,516)	1,230
Milford Trans-Tasman Bond Fund	-	-	332	395	-	-	-	-	332	395
Milford Dynamic Fund	-	-	(1,864)	206	-	-	(1,241)	-	(3,105)	206
Milford Global Corporate Bond Fund	-	-	334	314	-	-	-	-	334	314
Milford Global Equity Fund	-	-	(856)	2,009	-	-	-	-	(856)	2,009
Milford Conservative Fund	(1,885)	3,810	-	-	-	-	-	-	(1,884)	3,810
Milford Australian Absolute Growth Fund	-	-	(354)	44	-	-	-	-	(354)	44
Milford KiwiSaver Funds										
Milford KiwiSaver Active Growth Fund	-	-	(2,170)	1,899	-	-	-	-	-	-
Milford KiwiSaver Aggressive Fund	-	-	(403)	-	-	-	-	-	-	-
Milford KiwiSaver Moderate Fund	-	-	(3)	-	-	-	-	-	-	-
Total	(1,885)	3,810	(7,367)	16,513	(37,134)	77,159	(5,779)	-	(49,588)	95,583

All related party transactions were made on an arm's length basis.

9.4 Interfund receivables and payables

The following table shows the related party contributions receivable and related party redemptions payable which are included in the respective contributions receivable and withdrawals payable at balance date (see Note 10 and Note 11):

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Contributions receivable	2,379	385	608	21	958	47	306	-	-	-
Redemptions payable	(1,908)	(1)	(1,552)	(154)	(3,768)	(298)	(142)	-	-	-

The related party contributions receivable and related party redemptions payable balances represent outstanding interfund switches by members.

Notes to the Financial Statements

10. Trade and other receivables

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Accrued interest	3	2	8	6	14	17	4		29	25
Futures margin accounts	-	-	1,439	768	-	-	302		1,741	768
Contributions receivable	2,777	743	1,063	708	3,301	1,700	592		3,483	3,151
Total trade and other receivables	2,780	745	2,510	1,482	3,315	1,717	898		5,253	3,944

All trade and other receivables balances are carried at amortised cost and their carrying values approximate fair value.

11. Trade and other payables

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Futures margin accounts	-	-	-	-	-	-	-		-	-
Redemptions payable	2,526	49	1,742	179	3,944	486	142		984	714
Unsettled investment trades	-	-	-	-	-	-	170		170	-
Total trade and other payables	2,526	49	1,742	179	3,944	486	312		1,154	714

All trade and other payable balances are carried at amortised cost and their carrying values approximate fair value.

12. Trade and other payables to related parties

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
As at 31 March										
Management fees payable	5	1	141	89	1,339	978	5		1,490	1,068
Unsettled investment trades	-	-	-	-	-	-	-		3,013	-
Total trade and other payables to related parties	5	1	141	89	1,339	978	5		4,503	1,068

All trade and other payable balances to related parties are carried at amortised cost and their carrying values approximate fair value.

Notes to the Financial Statements

13. Reconciliation of net (loss)/profit before tax and membership activities to net cash flows from operating activities

\$ thousands	Conservative Fund		Balanced Fund		Active Growth Fund		Aggressive Fund		Plan Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the year/period ended 31 March										
Net (loss)/profit before membership activities	(1,879)	3,827	(8,517)	14,375	(52,334)	66,466	(9,266)		(69,422)	82,769
Adjustments for non cash items:										
Unrealised changes in the fair value of financial instruments at fair value through profit or loss	4,498	(2,152)	14,124	(14,392)	53,769	(77,159)	8,663		78,480	(91,804)
Unrealised foreign exchange (gains)/losses on cash at bank	-	-	(1,062)	(121)	-	-	(73)		(1,135)	(121)
Distributions re-invested	(2,246)	(1,627)	(512)	(732)	-	-	(52)		(2,810)	(2,359)
Other non cash income and expenses	-	-	15	7	-	-	-		15	7
	2,252	(3,779)	12,565	(15,238)	53,769	(77,159)	8,538		74,550	(94,277)
Movements in working capital items:										
(Increase)/decrease in trade and other receivables	(1)	1	(604)	1,127	3	(6)	(315)		(917)	1,122
Increase/(decrease) in trade and other payables	4	(1)	52	9	361	(3,855)	5		3,435	(3,847)
Increase in cost of investments	(127,544)	(36,267)	(93,671)	(47,371)	(203,385)	(237,400)	(76,133)		(482,270)	(304,518)
	(127,541)	(36,267)	(94,223)	(46,235)	(203,021)	(241,261)	(76,443)		(479,752)	(307,243)
Net cash outflow from operating activities	(127,168)	(36,219)	(90,175)	(47,098)	(201,586)	(251,954)	(77,171)		(474,624)	(318,751)

14. Contingent liabilities

There were no contingent liabilities as at 31 March 2020 (31 March 2019: Nil).

15. Capital commitments

There were no material capital commitments as at 31 March 2020 (31 March 2019: Nil).

16. Events after balance date

Effective from 28 April 2020 the Milford KiwiSaver Balanced Fund no longer has a controlling interest in the Milford KiwiSaver Moderate Fund. Since this date, the Milford KiwiSaver Moderate Fund is no longer an unconsolidated subsidiary of the Milford KiwiSaver Balanced Fund.

From April 2020, the Manager of the Plan introduced partial swing pricing as an anti-dilution mechanism. The introduction of swing pricing is aimed to protect investors against the effects of dilution from the trading activity of other investors in the Plan. The net asset value of a Fund of the Plan will be adjusted by a swing factor either up or down based on the direction of the net fund flows for the day, where that day's net fund flow reaches a certain threshold. Investors transacting on that day, transact at the swung price.

There have been no other events or conditions that have occurred since balance date which would impact the financial position of the Plan disclosed in the Statements of Net Assets as at 31 March 2020, or the results and cash flows of the Plan for the year/period ended on that date.



Independent auditor's report

To the members of the Milford KiwiSaver Plan (the Plan) comprising the:

Milford KiwiSaver Conservative Fund
Milford KiwiSaver Balanced Fund
Milford KiwiSaver Active Growth Fund
Milford KiwiSaver Aggressive Fund
(Collectively referred to as the Funds)

We have audited the Funds' and the Plan's financial statements which comprise:

- the statements of net assets as at 31 March 2020;
- the statements of changes in net assets for the year/period then ended;
- the statements of cash flows for the year/period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the Funds' and the Plan's financial statements present fairly, in all material respects, the financial position of the Funds and the Plan as at 31 March 2020, their financial performance and their cash flows for the year/period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Plan in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have provided the following services to Milford Funds Limited (the Manager): net tangible assets agreed upon procedures and controls assurance in relation to the Manager's compliance with MIS licence requirements. Subject to certain restrictions, employees of our firm may invest in the Plan on normal market terms. These services and relationships have not impaired our independence as auditor of the Plan.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Funds' and the Plan's financial statements for the current year. We have one key audit matter, which is valuation and existence of financial assets and financial liabilities at fair value through profit or loss. This matter was addressed in the context of our audit of the Funds' and the Plan's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter

Valuation and existence of financial assets and financial liabilities at fair value through profit or loss (collectively, financial instruments)

Refer to note 6 to the financial statements for disclosures of financial instruments at fair value through profit or loss.

Financial assets at fair value through profit or loss (000's)

- Milford KiwiSaver Conservative Fund: \$214,453
- Milford KiwiSaver Balanced Fund: \$339,097
- Milford KiwiSaver Active Growth Fund: \$1,341,811
- Milford KiwiSaver Aggressive Fund: \$70,659
- Milford KiwiSaver Plan: \$1,911,470

Financial liabilities at fair value through profit or loss (000's)

- Milford KiwiSaver Balanced Fund: \$1,807
- Milford KiwiSaver Aggressive Fund: \$2,958
- Milford KiwiSaver Plan: \$4,765

This was an area of focus for our audit as it represents the majority of the net assets of the Funds and the Plan.

Key audit matter

The fair value of the financial instruments traded in active markets are based on quoted market prices at 31 March 2020 and are categorised as level 1 in the fair value hierarchy.

The fair value of the financial instruments that are not traded in an active market are determined by using valuation techniques. The valuation technique depends on the underlying asset and includes assumptions that are based on market conditions existing at balance date. Financial instruments with inputs to the valuation that are observable either directly or indirectly are categorised as level 2 in the fair value hierarchy.

The Funds' level 2 financial instruments include forward foreign exchange contracts, foreign exchange options and investments in unlisted funds/trusts.

The Funds' invest into unlisted funds/trusts managed by the Manager. The fair value of these unlisted funds/trusts is based on the latest available redemption price established by MMC Limited (the Administrator).

For financial instruments quoted in foreign currencies, these are translated to New Zealand dollars using the applicable exchange rate at balance date.

Record of all financial instruments is held with the National Australia Bank (the Custodian), the Administrator, financial institutions and counterparties on behalf of the Funds and the Plan.

How our audit addressed the key audit matter

We assessed the processes employed by the Manager for recording and valuing the financial instruments at fair value through profit or loss, including the relevant controls operated by the Manager and the third party service organisations. The third party service organisations include the Administrator and the Custodian.

Our assessment of the business processes included obtaining the internal control reports over custody, investment accounting and registry provided by the third party service organisations. We evaluated the evidence provided by the internal controls reports over the design and operating effectiveness of the key controls operated by the third party service providers for the period 1 April 2019 to 31 March 2020.

Where the report did not cover the full period from 1 April 2019 to 31 March 2020, we obtained a bridging letter confirming there were no material changes in the third party service provider's control environment and no significant deficiencies in the design or operation of relevant internal controls in the intervening period.

Valuation

For all investments where quoted market prices in an active market were available, we agreed the market prices at 31 March 2020 to independent third party pricing sources.

For investments in unlisted funds/trusts managed by the Manager, we agreed the redemption price at balance date to the redemption price established by the Administrator.

For all investments quoted in foreign currencies, we agreed the exchange rates at which they have been converted from their underlying local currencies to New Zealand dollars to independent third party sources.

For forward foreign exchange contracts and foreign exchange options, we agreed the observable inputs to third party pricing sources and used our

How our audit addressed the key audit matter

own in-house valuation expert to test the fair value using independent valuation methods.

Existence

We obtained confirmations from the Custodian, the Administrator, financial institutions and counterparties of the holdings of all the financial instruments held by the Funds and the Plan as at balance date.

From the procedures performed, we have no matters to report.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. We determine materiality for each Fund and the Plan separately.

Our materiality is calculated based on 1% of the net assets for each Fund and the Plan. We used this benchmark because, in our view, the objective of the Funds and the Plan is to provide members with a total return on the Funds' and the Plan's net assets, taking account of both capital and income returns.

Because of the significance of the investments to the financial statements, we have determined there is one key audit matter: valuation and existence of financial assets and financial liabilities at fair value through profit or loss.



Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for each Fund's and the Plan's financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on each Fund's and the Plan's financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Funds' and the Plan's financial statements as a whole, taking into account the structure of the Funds and the Plan, the types of investments held by each of the Funds and the Plan, the accounting processes and controls, the use of third party service providers and the industry in which the Funds and the Plan operate.

The Manager is responsible for the governance and control activities of the Funds and the Plan. The Manager has appointed the Custodian to act as custodian of the Funds' and the Plan's investments. The Manager

has outsourced investment accounting and registry services to the Administrator for the year ended 31 March 2020.

In establishing our overall audit approach, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at the Manager, the Custodian and the Administrator.

Information other than the financial statements and auditor's report

The Manager is responsible for the annual report.

Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable



the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing each Fund's and the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Funds or the Plan, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Plan's members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other

purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's members, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Samuel Shuttleworth.

For and on behalf of:

Chartered Accountants
1 July 2020

Auckland